

DIODES INC /DEL/  
Form DEF 14A  
March 31, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.    )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

DIODES INCORPORATED

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



DIODES INCORPORATED

Notice of Annual Meeting of Stockholders

To Be Held May 10, 2016

Notice is hereby given that the annual meeting (the "Meeting") of the stockholders of Diodes Incorporated (the "Company") will be held at the Company's corporate headquarters, located at 4949 Hedgcoxe Road, Plano, Texas 75024, on Tuesday, May 10, 2016, at 10:00 a.m. (Central Time) for the following purposes:

1. Election of Directors. To elect seven persons to the Board of Directors of the Company, each to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. The Board of Directors' nominees are: C.H. Chen, Michael R. Giordano, L.P. Hsu, Keh-Shew Lu, Raymond Soong, John M. Stich and Michael K.C. Tsai.
2. Approval of Executive Compensation. To approve, on an advisory basis, the Company's executive compensation.
3. Ratification of Appointment of Independent Registered Public Accounting Firm. To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.
4. Other Business. To transact such other business as properly may come before the Meeting or any adjournment or postponement thereof.

Only persons who were stockholders of record at the close of business on March 15, 2016 are entitled to notice of and to vote, in person or by proxy, at the Meeting or any adjournment or postponement thereof.

The proxy statement, which accompanies this Notice, contains additional information regarding the proposals to be considered at the Meeting, and stockholders are encouraged to read it in its entirety.

We have elected to provide access to our proxy materials by notifying you of the availability of our proxy statement and our fiscal 2015 Annual Report to Stockholders over the Internet at [www.proxydocs.com/diod](http://www.proxydocs.com/diod). Stockholders may also obtain a printed copy of the proxy materials free of charge by following the instructions provided in the Notice of Internet Availability of Proxy Materials that will be first mailed to stockholders on or about March 31, 2016 or in the enclosed proxy statement.

As set forth in the enclosed proxy statement, proxies are being solicited by and on behalf of the Board of Directors of the Company. All proposals set forth above are proposals of the Board of Directors.

Whether or not you plan to attend the Meeting, **YOUR VOTE IS IMPORTANT**. Please follow the instructions enclosed to ensure that your shares are voted. If you attend the Meeting, you may revoke your proxy and vote your shares in person. You may revoke your proxy at any time prior to its exercise at the Meeting.

Dated at Plano, Texas, this 31st day of March, 2016.

By Order of the Board of Directors,

DIODES INCORPORATED

Richard D. White,  
Secretary

IF YOU PLAN TO ATTEND THE MEETING

Attendance will be limited to Stockholders. Stockholders may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts ("street name") will need to bring with them a legal proxy issued in their name from the bank or brokerage in whose name the shares are held in order to vote in person. Cameras, recording devices and other electronic devices will not be permitted at the Meeting.

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DIODES INCORPORATED

4949 Hedgcoxe Road, Suite 200

Plano, Texas 75024

(972) 987-3900

PROXY STATEMENT

ANNUAL MEETING: MAY 10, 2016

GENERAL INFORMATION

This proxy statement (“Proxy Statement”) is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of Diodes Incorporated (the “Company”) for use at the annual meeting (the “Meeting”) of the stockholders of the Company to be held on Tuesday, May 10, 2016, at the Company’s corporate headquarters, located at 4949 Hedgcoxe Road, Plano, Texas 75024, on Tuesday, May 10, 2016, at 10:00 a.m. (Central Time), and at any adjournment or postponement thereof. Only stockholders of record at the close of business on March 15, 2016 (the “Record Date”) are entitled to notice of and to vote, in person or by proxy, at the Meeting or any adjournment or postponement thereof.

Matters to be Considered at the Meeting

The matters to be considered and voted upon at the Meeting will be:

1. Election of Directors. To elect seven persons to the Board, each to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. The Board’s nominees are: C.H. Chen, Michael R. Giordano, L.P. Hsu, Keh-Shew Lu, Raymond Soong, John M. Stich and Michael K.C. Tsai.
2. Approval of Executive Compensation. To approve, on an advisory basis, the Company’s executive compensation.
3. Ratification of Appointment of Independent Registered Public Accounting Firm. To ratify the appointment of Moss Adams LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016.
4. Other Business. To transact such other business as properly may come before the Meeting or any adjournment or postponement thereof.

Voting Recommendations of the Board

Our Board recommends that you vote your shares “FOR” each of the nominees to the Board, “FOR” the approval of executive compensation, and “FOR” the ratification of the appointment of Moss Adams LLP.

Voting Shares Held in “Street Name”

Brokerage firms who are members of the New York Stock Exchange cannot vote your shares held in street name in the election of directors or on executive compensation, if you fail to instruct the organization how to vote such shares. Therefore, it is very important that you provide instructions on how to vote any shares beneficially owned by you in street name.

Internet Access to Proxy Materials



Under rules adopted by the Securities and Exchange Commission (the “SEC”), we have elected to provide access to our proxy materials over the Internet at [www.proxydocs.com/diod](http://www.proxydocs.com/diod). Stockholders will not receive printed copies of the proxy materials unless they have requested us to provide proxy materials in printed form. On or about March 31, 2016, a Notice of Internet Availability of Proxy Materials (the “Notice”) was first sent to our stockholders of record and beneficial owners. All stockholders receiving the Notice can request a printed copy of the proxy materials.

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The Notice provides you with instructions regarding how to:

View our proxy materials for the Meeting on the Internet;

Request a printed copy of the proxy materials; and

Instruct us to send future proxy materials to you by mail or electronically by email on an ongoing basis.

Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it, and it is your responsibility to notify us of any change to your email address given to us.

The proxy materials include:

Notice of Annual Meeting of Stockholders;

This Proxy Statement; and

The 2015 Annual Report to Stockholders, which includes our audited consolidated financial statements.

If you request printed copies of the proxy materials by mail, these materials will also include a proxy card.

#### How to Vote

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company, you are considered the stockholder of record with respect to those shares, and the Notice was sent directly to you by the Company. If you are a stockholder of record, you may attend the Meeting and vote in person. You will be provided with a ballot at the Meeting.

If you do not wish to attend the Meeting and vote in person, you may vote by proxy. There are three ways to vote by proxy. You may submit a proxy by telephone by calling (855) 686-4804 and following the instructions provided. You may submit a proxy over the Internet at [www.proxypush.com/diod](http://www.proxypush.com/diod) by following the instructions provided. If you request and receive a printed copy of the proxy materials by mail, you can submit a proxy by signing and dating the enclosed proxy card and either mailing it in the postage-paid envelope provided to the address stated on the proxy card or transmitting it by facsimile to the Inspector of Elections at (972) 731-3510.

Telephone and Internet voting facilities for stockholders will be available 24 hours a day and will close at 11:59 p.m. (Eastern Time) on May 9, 2016. If a proxy is properly submitted and is not revoked, the proxy will be voted at the Meeting in accordance with the stockholder's instructions indicated on the proxy. If no instructions are indicated on the proxy with respect to any matter, the proxy will be voted on such matter as follows: "FOR" the election of the Board's nominees, "FOR" the approval of executive compensation, "FOR" ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016, and in accordance with the recommendations of the Board as to any other matter that may properly be brought before the Meeting or any adjournment or postponement thereof.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in "street name," and the Notice was forwarded to you by that organization. The organization holding your shares is considered the stockholder of record for purposes of voting at the Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account by following the instructions they provided. If you wish to attend the Meeting and vote in person, you must obtain a proxy executed in your favor from the organization that holds your shares.

Even if you plan to attend the Meeting, we recommend that you also submit your proxy or voting instructions so that your vote will be counted if you later decide not to attend the Meeting.

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### How to Change or Revoke Your Vote

You may change your vote at any time before the vote at the Meeting. If you are a stockholder of record, you may change your vote by submitting a proxy over the Internet or telephone on a later date (only your last Internet or telephone proxy will be counted), or by filing a written revocation, or a duly executed proxy card bearing a later date, with the Company's Secretary at the Meeting or at our offices located at 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024 prior to the vote at the Meeting. You may also change your vote by attending the Meeting and voting in person. Attending the Meeting in person will not automatically revoke a previously granted proxy unless you vote at the Meeting or file a written revocation with the Company's Secretary at or before the Meeting.

If you are a beneficial owner of shares held in street name, you may change your vote by submitting new voting instructions to the brokerage firm, bank, broker-dealer or other organization holding your shares by following the instructions they provided or, if you obtained a proxy in your favor from that organization, by attending the Meeting and voting in person.

### Meeting Admission

You are entitled to attend the Meeting only if you were a Company stockholder as of the Record Date, or hold a valid proxy for the Meeting, or are a guest invited by the Company. You should be prepared to present photo identification for admittance. In addition, if you are a stockholder of record, your ownership as of the Record Date will be verified prior to admittance into the Meeting. If you are not a stockholder of record but hold shares in street name by a brokerage firm, bank, broker-dealer, or other similar organization, you must provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to the Record Date or similar evidence of ownership. Guests of the Company may be required to show proof of invitations prior to admittance into the Meeting. If you do not provide photo identification or do not comply with the other procedures outlined above, you may not be admitted to the Meeting.

### Voting Rights

The authorized capital of the Company consists of (i) 70,000,000 shares of common stock, par value \$0.66-2/3 per share ("Common Stock"), of which 48,300,695 shares were issued and outstanding on the Record Date, and (ii) 1,000,000 shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), none of which were issued and outstanding on the Record Date. The Common Stock and the Preferred Stock are collectively referred to as the "Stock."

A majority of the shares of Common Stock issued and outstanding and entitled to vote at the Meeting, present either in person or by proxy, constitutes a quorum for the conduct of business at the Meeting. Votes withheld, abstentions and "broker non-votes" (as defined below) will be counted for the purpose of determining the presence of a quorum.

Each stockholder is entitled to one vote, in person or by proxy, for each share of Common Stock standing in his or her name on the books of the Company at the close of business on the Record Date on any matter submitted to the stockholders, except that in connection with the election of directors, each stockholder has the right to cumulate votes. Cumulative voting entitles a stockholder to give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares of Common Stock owned by such stockholder, or to distribute such stockholder's votes on the same principle among as many candidates and in such manner as the stockholder shall desire.

If you are a stockholder of record and wish to exercise cumulative voting rights, you must submit a proxy by mail or attend the Meeting and vote in person. Your proxy card or ballot must specify how you want to allocate your votes among the nominees. Telephone and Internet voting facilities do not accommodate cumulative voting. If you hold

your shares in street name, contact your brokerage firm, bank, broker-dealer, or other similar organization for directions on how to exercise cumulative voting rights using their voting instruction card, or to request a legal proxy so that you can vote your shares directly. Discretionary authority to cumulate votes is hereby solicited by the Board. If you return a signed proxy card or submit voting instructions in writing without providing instructions about cumulative voting, or if you submit a proxy by telephone or via the Internet, you will confer on the designated Proxyholders named below discretionary authority to exercise cumulative voting. If they elect to do so, they will be authorized, in their discretion, to cast your votes for some or all of the nominees in the manner recommended by the Board or otherwise in the discretion of the Proxyholders. However, they will not cast any of your votes for a nominee as to whom you have instructed them on your proxy card, voting instruction card or otherwise to withhold a vote. If you do not wish to grant the Proxyholders authority to cumulate your votes in the election of directors, you must explicitly state that objection on your proxy card or voting instruction card, as applicable.

In the election of directors, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected; provided, however, that the Board has adopted a policy requiring that in an uncontested election (such as the election held at this Annual Meeting), each nominee must agree that if elected, he or she will submit an irrevocable resignation promptly following the election if he or she fails to receive a majority of votes cast. An uncontested election means that there are as many candidates standing for election as there are vacancies on the Board. A majority of votes cast means that the number of shares cast "FOR" a director's election exceeds the number of votes "WITHHELD." See "Proposal One – Election of Directors" and "Corporate Governance – Director Resignation Policy." Each proposal described in this Proxy Statement, other than the election of directors,

requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock present, in person or by proxy, and entitled to vote on the proposal at the Meeting. Abstentions and broker non-votes will have no effect with respect to the election of directors. With respect to all other proposals submitted to the stockholders, abstentions will be included in the number of votes present and entitled to vote on that proposal and, accordingly, will have the effect of a vote “AGAINST” the proposal. However, broker non-votes with respect to any other such proposal submitted to the stockholders will not be counted as shares present and entitled to vote on that proposal and, accordingly, will not have any effect with respect to the approval of that proposal (other than to reduce the number of affirmative votes required to approve the proposal). The vote with respect to executive compensation is not binding on the Company, the Board or the Compensation Committee of the Board (the “Compensation Committee”). However, the Board and the Compensation Committee will review the results of this vote and take it into consideration when making future decisions regarding executive compensation.

Of the shares of Common Stock outstanding on the Record Date, 8,065,778 (or approximately 16.7%) were held in the name of Lite-On Semiconductor Corporation. See “Security Ownership of Certain Beneficial Owners and Management” and “Corporate Governance – Certain Relationships and Related Person Transactions,” for additional information about Lite-On Semiconductor Corporation and its subsidiaries and affiliates (“LSC”). On the Record Date, an additional 1,863,726 shares (or approximately 3.9%) were owned by directors and executive officers of the Company. LSC and each of the directors and executive officers have informed the Company that they will vote “FOR” the election of the Board’s nominees named herein, “FOR” the approval of executive compensation, and “FOR” ratification of the appointment of Moss Adams LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016.

Organizations holding Common Stock in “street name” that are members of a stock exchange are required by the rules of the exchange to transmit the proxy materials to the beneficial owner of the Common Stock and to solicit voting instructions with respect to the matters submitted to the stockholders. If the organization has not received instructions from the beneficial owner by the date specified in the statement accompanying such proxy materials, the organization may give or authorize the giving of a proxy to vote the Common Stock in its discretion as to “routine” matters, but not as to “non-routine” matters. When an organization is unable to vote a client’s shares on a proposal, the missing votes are referred to as “broker non-votes.” If you hold Common Stock in “street name” and you fail to instruct the organization that holds your shares as to how to vote such shares, that organization may, in its discretion, vote such Common Stock “FOR” ratification of the appointment of Moss Adams LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016, but not with respect to the election of the nominees to the Board, the approval of the Company’s executive compensation, or any other non-routine matter submitted to the stockholders.

#### Procedures for Stockholder Nominations and Proposals

Under the Company’s Bylaws, any stockholder generally may submit proposals or nominate one or more persons for election as directors by following the procedures described in this Proxy Statement under “Proposals of Stockholders and Stockholder Nominations for 2017 Annual Meeting.” No notice of a stockholder proposal or nomination was timely received in connection with the Meeting.

#### Cost of Proxy Solicitation

This proxy solicitation is made by the Board, and the Company will bear the costs of this solicitation, including the expense of preparing, assembling, printing and mailing this Proxy Statement and any other material used in this proxy solicitation. If it should appear desirable to do so to ensure adequate representation at the Meeting, officers and regular employees may communicate with stockholders of record, beneficial owners, banks, brokerage houses, custodians, nominees and others, by telephone, facsimile transmissions, telegraph, email or in person to request that the proxies be furnished. No additional compensation will be paid for these services to officers or employees of the Company. The

Company will reimburse banks, brokerage houses, and other custodians, nominees and fiduciaries, for their reasonable expenses in forwarding proxy materials to their principals. The estimated cost for this proxy solicitation is approximately \$60,000.

#### Other Business

As of the date of this Proxy Statement, the Board knows of no business to be presented for consideration at the Meeting other than as stated in the Notice of Annual Meeting of Stockholders. However, if any other matters properly come before the Meeting, including a motion to adjourn the Meeting to another time or place in order to solicit additional proxies in favor of the recommendations of the Board, the designated proxyholders, Dr. Keh-Shew Lu and Richard D. White, members of the Company's management (the "Proxyholders"), will vote the shares represented by the proxies on such matters in accordance with the recommendation of the Board, and authority to do so is included in the proxy. Such authorization includes authority to appoint a substitute nominee or nominees to the Board's nominees identified herein where death, illness or other circumstances arise which prevent any such nominee from serving in such position and to vote such proxy for such substitute nominee.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of Common Stock as of the Record Date by each person known to the Company to be the beneficial owner of five percent (5%) or more of the outstanding shares of Common Stock (other than depositories).

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)
Lite-On Semiconductor Corporation ("LSC") 9F. No. 233-2, Pao-Chiao Road, Hsin-Tien, Taipei-hsien 23115, Taiwan, R.O.C.	8,065,778	<sup>(3)</sup> 16.7%
Brown Capital Management, LLC ("Brown Capital") 1201 N. Calvert Street, Baltimore, Maryland 21202	4,459,289	<sup>(4)</sup> 9.2%
BlackRock, Inc. ("BlackRock") 55 East 52nd Street, New York, New York 10022	3,585,669	<sup>(5)</sup> 7.4%
Barrow, Hanley, Mewhinney & Strauss, LLC ("BHMS") 2200 Ross Ave., 31st Floor, Dallas, Texas 75201	3,503,788	<sup>(6)</sup> 7.3%
The Vanguard Group ("Vanguard") 100 Vanguard Blvd. Malvern, Pennsylvania 19355	2,809,473	<sup>(7)</sup> 5.8%
T. Rowe Price Associates, Inc. ("TR Price") 100 E. Pratt Street, Baltimore, Maryland 21202	2,731,772	<sup>(8)</sup> 5.7%

- (1) The named stockholder has sole voting power and investment power with respect to the shares listed, except as indicated below.
- (2) Based on 48,300,695 shares outstanding as of the Record Date.
- (3) LSC is a public company listed on the Taiwan Stock Exchange Corporation and a member of the Lite-On Group of companies. See "Corporate Governance – Certain Relationships and Related Person Transactions" for a discussion of the relationship among LSC, the Company and certain directors and executive officers of the Company.
- (4) Based solely on information provided by Brown Capital in Schedule 13G/A filed with the SEC on February 16, 2016 reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G/A, Brown Capital has sole voting power with respect to 2,964,938 shares, has sole dispositive power with respect to 4,459,289 shares and has neither shared voting power nor shared dispositive power with respect to any shares.
- (5) Based solely on information provided by BlackRock in Schedule 13G/A filed with the SEC on January 26, 2016, reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G/A, BlackRock has sole voting power with respect to 3,499,534 shares, has sole dispositive power with respect to 3,585,669 shares and has neither shared voting power nor shared dispositive power with respect to any shares.
- (6) Based solely on information provided by BHMS in Schedule 13G filed with the SEC on February 2, 2016, reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G, BHMS has sole voting power with respect to 1,888,797 shares, has shared voting power with respect to 1,614,991 shares, has sole



dispositive power with respect to 3,503,788 shares, and had shared dispositive power with respect to no shares.

- (7) Based solely on information provided by Vanguard in Schedule 13G/A filed with the SEC on February 11, 2016, reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G, Vanguard has sole voting power with respect to 48,477 shares, has shared voting power with respect to 4,300 shares, has sole dispositive power with respect to 2,759,696 shares and has shared dispositive power with respect to 49,777 shares.
- (8) Based solely on information provided by TR Price in Schedule 13G filed with the SEC on February 12, 2016, reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G, TR Price has sole voting power with respect to 477,070 shares, has sole dispositive power with respect to 2,731,772 shares and has neither shared voting power nor shared dispositive power with respect to any shares.

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The following table sets forth the beneficial ownership of Common Stock of the Company as of the Record Date by (i) each director and nominee of the Company, (ii) each Named Executive Officer (“NEO”) of the Company (as defined below), and (iii) all directors, nominees and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature				
	Common Shares Underlying Options or Restricted Stock Units (1)	Common Shares	Ownership (2)	Percent of Class (3) (4)	
<b>Directors</b>					
Raymond Soong	—	278,750	278,750	(1)	*
C.H. Chen	—	458,829	458,829	(1)	1%
Michael R. Giordano	—	81,788	81,788	(1)	*
L.P. Hsu	—	28,250	28,250	(1)	*
Keh-Shew Lu <sup>(5)</sup>	775,125	722,803	1,497,928	(1)(6)(9)	3.1%
John M. Stich	—	62,550	62,550	(1)(7)	*
Michael K.C. Tsai	—	16,550	16,550	(1)	*
<b>Named Executive Officers</b>					
Richard D. White	200,125	38,304	238,429	(1)	*
Mark A. King	245,375	23,771	269,146	(1)	*
Edmund Tang	89,125	27,009	116,134	(1)	*
Francis Tang	85,750	23,512	109,262	(1)	*
Executive Officers Other Than Named Executive Officers	65,750	101,611	167,361		*
All directors and executive officers of the Company as a group (14 individuals including those named above)	1,461,250	1,863,727	3,324,977	(8)	6.7%

\* Indicates less than 1%.

- (1) Consists of shares of Common Stock that the named individual has the right to acquire within sixty (60) days after the Record Date by exercising stock options or the vesting of restricted stock units (“RSUs”). For further discussion on the Company’s use of equity awards, see “Compensation Discussion and Analysis – Summary of Compensation Approach – Our Compensation Objectives and Philosophy and How the Company’s Compensation Program Operates – Fixed and Variable Compensation – Equity Awards.”
- (2) The named stockholder has sole voting power and investment power with respect to the shares listed, except as indicated and subject to community property laws where applicable.
- (3) Under Rule 13d-3 of the Exchange Act, certain shares may be deemed to be beneficially owned by more than one person (for example, if a person shares the power to vote or the power to dispose of the shares). In addition, under Rule 13d-3(d)(1) of the Exchange Act, shares which the person (or group) has the right to acquire within sixty (60) days after the Record Date are deemed to be outstanding in calculating the beneficial ownership and the percentage ownership of the person (or group) but are not deemed to be outstanding as to any other person or group. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily

reflect the person's actual ownership of voting power with respect to the number of shares of Common Stock actually outstanding at the Record Date.

- (4) Percent of Class is based on 48,300,695 shares of the Common Stock of the Company outstanding as of the Record Date.
- (5) Dr. Lu is a member of the Board, the President and Chief Executive Officer of the Company, and a NEO.
- (6) Includes 90,400 shares of Common Stock held in the name of the Lu Family Revocable Trust, 46,150 shares of Common Stock held in the name of an UTMA (Custodial) Trust, and 476,783 shares held in the name of the Lu Grandchildren's Trust. Dr. Lu is a co-trustee of the Lu Family Revocable Trust and the UTMA (Custodial) Trust. Dr. Lu has voting and investment authority over these shares.
- (7) Includes 30,775 shares of Common Stock held in the name of Stich Family Living Trust. Mr. Stich is a member of the Stich Family Living Trust and has voting and investment authority over these shares.

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- (8) Includes 1,461,250 shares that all directors, nominees and executive officers of the Company have the right to acquire within sixty (60) days after the Record Date, by exercising stock options or the vesting of RSUs, but excludes an additional 761,325 shares that all directors, nominees and executive officers of the Company will have the right to acquire upon the exercise of stock options or the vesting of RSUs, which may vest in installments more than sixty (60) days after the Record Date.
- (9) Does not include 600,000 shares of Common Stock in the form of Performance Restricted Stock Awards (“PRSAs”) granted as long-term, performance incentives to Dr. Lu in six equal annual installments of 100,000 shares, on each of April 14, 2010, 2011, 2012, 2013, 2014 and 2015. Each installment would vest only if the Company achieves a net sales target for any fiscal year that exceeds \$1 billion. As of the Record Date, no installment of these 600,000 PRSAs has vested. Also does not include 150,000 shares of Common Stock in the form of PRSAs separately granted on July 21, 2015 as long-term, performance incentives to Dr. Lu that vest only if (i) the Company achieves a gross profit goal of \$600 million for the four most recently completed fiscal quarters and (ii) Dr. Lu continues to provide services to the Company. This table also does not include an aggregate of 550,000 shares of Common Stock in the form of stock units that will be granted on July 1, 2016, July 1, 2017 and July 1, 2018 and will be subject to the aforementioned gross profit performance goal and service condition. For further discussion on the net sales target and the gross profit performance goal and service condition related to these grants, see “Executive Compensation – Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table – Employment Agreements.”

## PROPOSAL ONE

## ELECTION OF DIRECTORS

The Company's Bylaws provide that the number of directors shall be determined from time to time by the Board, but may not be less than five nor more than seventeen. Currently, the Board has fixed the number of directors at seven. The Company's Bylaws further provide for the election of each director at each annual meeting of stockholders.

The persons nominated have been nominated for election to the Board to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. All nominees are currently directors of the Company and have indicated their willingness to serve. Unless otherwise instructed, proxies will be voted in such a way as to elect as many of these nominees as possible under applicable voting rules. In the event that any of the nominees should be unable or unwilling to serve as a director, proxies will be voted for the election of such substitute nominees, if any, as shall be designated by the Board. The Board has no reason to believe that any nominee will be unable or unwilling to serve.

The Company's Corporate Governance Guidelines provides that a member of the Board will not be eligible to stand for re-election to the Board after attaining the age of 75 ("Board Member Age Requirement"). In 2014, the Board amended this requirement to permit the Board to waive the requirement for up to three years for any director. Mr. L.P. Hsu attained the age of 75 in late 2014, and the Board waived the Board Member Age Requirement to allow him to be eligible to stand for re-election to the Board at the Meeting.

The seven nominees who receive the highest number of affirmative votes will be elected. The Board has adopted a policy requiring that in an uncontested election (such as the election held at the Meeting), each nominee must agree that if elected, he or she will submit an irrevocable resignation promptly following the election if he or she fails to receive a majority of votes cast. An uncontested election means that there are as many candidates standing for election as there are vacancies on the Board. A majority of votes cast means that the number of shares cast "FOR" a director's election exceeds the number of votes "WITHHELD." See "Corporate Governance – Director Resignation Policy."

None of the nominees were selected pursuant to any arrangement or understanding, other than that with the directors of the Company acting within their capacity as such. There are no family relationships among the directors of the Company as of the date hereof, and, except as set forth below, as of the date hereof, no directorships are now, or in the past five years have been, held by any director in a company that has a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

The following table and discussion sets forth certain biographical information concerning the nominees of the Company as of the Record Date:

Nominees	Age	Position with the Company	Director Since
Raymond Soong	74	Director and Chairman of the Board	1993
C.H. Chen	72	Director and Vice Chairman of the Board	2000
Michael R. Giordano	69	Director	1990
L.P. Hsu	76	Director	2007
Keh-Shew Lu	69	President, Chief Executive Officer, and Director	2001
John M. Stich	74	Director	2000
Michael K.C. Tsai	62	Director	2010

Raymond Soong      Director and Chairman of the Board

Chair, Compensation Committee

Chair, Governance and Stockholder Relations Committee

Member, Risk Oversight Committee

Mr. Soong was appointed the Chairman of the Board of the Company in 1993. Mr. Soong is also the Chairman of Co-Tech Copper Foil Corporation, LSC, Lite-On Technology Corporation (“LTC”), and Silitech Technology Corporation (“Silitech”), and a board member of Actron Technology Corporation (“Actron”), which is a member or an affiliate of the Lite-On Group. In 1975, after serving as a senior engineer for RCA Corporation and as a chief engineer for Texas Instruments, Taiwan, Ltd. (“TI Taiwan”), Mr. Soong, together with several of his co-workers, founded Taiwan Lite-On Electronic Co., Ltd., a manufacturer of electronic components and subsystems. Mr. Soong is a graduate of, and received an Honorary Doctorate from, the National Taipei University of Technology’s Electronic Engineering Department and also received an Honorary Doctorate from National Chiao-Tung University.

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As Chairman of the Boards of Co-Tech Copper Foil Corporation, LSC, LTC, and Silitech, and a board member of Actron, Mr. Soong has significant board experience, which provides him valuable insight on Board management. With his background in the semiconductor industry as a senior engineer for RCA Corporation and as a chief engineer for TI Taiwan, Mr. Soong also brings extensive experience and knowledge of the semiconductor industry to the Board.

C.H. Chen            Director and Vice Chairman of the Board

Chair, Risk Oversight Committee

Mr. Chen was appointed the Company's Vice Chairman of the Board in 2005. Mr. Chen is also the Vice Chairman of the Board of LSC, and a board member of LTC and Co-Tech Copper Foil Corporation, each of which is a member or an affiliate of the Lite-On Group. Mr. Chen is also a board member of Kwong Lung Enterprise Co., Ltd. Mr. Chen served as the Company's President and Chief Executive Officer from 2000 until 2005. From 1969 to 1990, Mr. Chen held various positions at Texas Instruments Incorporated ("TI"), most recently as the Vice President of TI Taiwan. In 1990, he left TI to found Dyna Image Corporation, which merged with LSC in 2000. Mr. Chen received his Bachelor of Science degree in Mechanical Engineering from National Taiwan University.

Mr. Chen has extensive experience in the semiconductor industry, particularly in Asia, including as a director of several Asian semiconductor companies. This experience provides the Board with a valuable perspective on the current and future trends and challenges in the semiconductor industry in Asia. As the Company's former President and Chief Executive Officer, Mr. Chen's understanding of the Company enables him to provide advice to the Board on matters concerning the operations of the Company.

Michael R. Giordano            Director

Chair, Audit Committee (Financial Expert)

Mr. Giordano, CIMA, joined the private-banking firm of UBS Financial Services, Inc. as Senior Vice President-Investment Consulting when UBS AG acquired PaineWebber, Inc. in 2000. PaineWebber, Inc. had acquired his previous employer, Kidder Peabody and Co., Inc., by whom he was employed since 1979. Mr. Giordano advises corporations, foundations, trusts, and municipal governments in investments and finance. Mr. Giordano also served as Chairman of the Board and the Chief Executive Officer of the Leo D. Fields Co. from 1980 to 1990, when GWC Holdings acquired it, and, from 2001 to 2003, served as a board member of Professional Business Bank, a publicly traded corporation. Formerly a captain and pilot in the United States Air Force, Mr. Giordano received his Bachelor's degree in Aerospace Engineering from California State Polytechnic University and his Master's degree in Business Administration (Management and Finance) from the University of Utah. Mr. Giordano also completed post-graduate work in International Investments at Babson College and is certified by the Investment Management Consultants Association. He is also certified by the John E. Anderson Graduate School of Management, University of California at Los Angeles as a Corporate Director, having demonstrated understanding of directorship and corporate governance.

Mr. Giordano is an experienced leader who has worked in the financial sector for more than 36 years and possesses the skills necessary to lead the Company's Audit Committee. As Senior Vice President-Investment Consulting with UBS Financial Services, Inc. (and its predecessors) since 1979, he has advised numerous public and private, profit and non-profit organizations in investments and finance. Mr. Giordano's experience provides the Board with knowledge in financial and accounting matters.

L.P. Hsu            Director

Member, Audit Committee

Member, Compensation Committee

Mr. Hsu was Chairman of Philips Taiwan Quality Foundation from 2002 to 2014 and has been the Honorary Chairman since 2014, and was a board member of Winbond Electronics Corporation from 1999 to 2014. He also currently serves as a consultant to LTC, a supervisor of the Board of Directors of Nuvoton Technology Corporation (“Nuvoton”), and a board member of Corporate Synergy Development Center. Previously, he served as a board member of Vanguard International Semiconductor Corporation from 2003 to 2012, a board member of ZyXEL Communications Corporation from 2006 to 2009, a board member of LTC from 2004 to 2006, a supervisor of the Board of Directors of Delta Electronics, Inc. from 2000 to 2003, a board member of Taiwan Semiconductor Manufacturing Company Ltd. from 1991 to 2000, and the Vice Chairman and board member at HannStar Display from 1998 to 2000. He also served as the Chief Executive Officer of HannStar Display in 2001 and the Executive Vice President of Philips Taiwan Limited from 1989 to 1998. Mr. Hsu was an Esteemed Chair Lecturer and Adjunct Professor at the College of Management at National Chiao-Tung University in Taiwan from 1998 to 2015, where he served as Associate Professor from 1971 to 1972. Since 2015, he has been an Adjunct Teaching Professor at the Department of Industrial Engineering and Industrial Management, National Tsing Hua University in Taiwan. Mr. Hsu completed the International Executive Program at International Institute for Management Development (IMD) and the Advanced Management Program at Harvard Business School and holds a Bachelor’s degree in Physics from National Cheng Kung University in Taiwan.

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Having served as a senior executive at several technology companies, including as Chief Executive Officer of HannStar Display and Executive Vice President of Philips Taiwan Limited, Mr. Hsu has the experience to offer valuable insight to the Board on strategic and operational issues. Through his past and present services as a board member of several technology companies, including Taiwan Semiconductor Manufacturing Company Ltd., LTC, Winbond Electronics Corporation, Vanguard International Semiconductor Corporation, ZyXEL Communications Corporation and HannStar Display, Mr. Hsu also has an understanding of the role of the Board in properly governing the Company. Having a background in teaching business management at the National Chiao-Tung University in Taiwan, Mr. Hsu provides the Board with knowledge of business management concepts and techniques.

Keh-Shew Lu            Director, President and Chief Executive Officer

Member, Risk Oversight Committee

Dr. Lu was appointed President and Chief Executive Officer of the Company in June 2005 after serving on the Board since 2001. Dr. Lu is also a board member of LTC and Nuvoton, two publicly held companies. Dr. Lu is the founding Chairman of the Asia American Citizen's Council and a board member of the Texas Tech Foundation. From 2001 to 2005, Dr. Lu was a partner of the WK Technology Venture Fund. From 1998 to 2001, Dr. Lu served as Senior Vice President and General Manager of Worldwide Mixed-Signal and Logic Products of TI. His responsibilities included all aspects of the analog, mixed-signal and logic products for TI's worldwide business, including design, process and product development, manufacturing and marketing. From 1996 to 1998, Dr. Lu was the manager of TI's worldwide memory business. In addition, he served as the President of TI Asia from 1994 to 1997 where he supervised all of TI activities in Asia, excluding Japan. Dr. Lu holds a Bachelor's degree in Electrical Engineering from the National Cheng Kung University in Taiwan, and a Master's degree and a Doctorate in Electrical Engineering from Texas Tech University.

Having worked in the semiconductor industry for more than 40 years and, particularly, having served in various managerial and senior executive capacities at TI, Dr. Lu possesses a wealth of semiconductor management experience. Dr. Lu also is knowledgeable in the role and function of the Board as a result of serving for many years as a board member of several public and private companies.

John M. Stich            Director

Member, Audit Committee

Member, Governance and Stockholder Relations Committee

Mr. Stich serves as the Honorary Consul-General of Japan in Dallas, a position to which he was appointed by the Ministry of Foreign Affairs in 2004. He also serves numerous non-profit organizations, including as a member of the Board of Directors of the Japan America Society of Dallas/Fort Worth, the Center for International Exchange – USA, and Numismatics International, and as a member of the Consular Corps of Dallas/Fort Worth and the Dallas-Sendai Friendship City Committee. Mr. Stich served as a member of the Board of Directors of Spansion, Inc., a flash memory company, from 2006 to 2010, and during that time at Spansion, Inc., he also served as chairman of the audit committee, a member of the nominating and corporate governance committee and a member of the compensation committee of that company. From 2000 to 2006, he was the President and Chief Executive Officer of The Asian Network, a consulting business that helped high-technology companies establish and expand their business in Asia. Prior to this position, Mr. Stich was the Chief Marketing Officer for TI in Japan from 1994 to 1999, and Vice President of Semiconductors for TI Asia from 1991 to 1994. Mr. Stich joined TI in 1964 and has served in various management positions, including 24 years leading TI's Asian business growth while living in Taipei, Hong Kong and Tokyo. Mr. Stich received his Bachelor's degree in Electrical Engineering from Marquette University.

With decades of managerial experience at TI in the semiconductor industry, Mr. Stich brings to the Board demonstrated management skills at senior levels. His position as the President and Chief Executive Officer of The Asian Network and his position as the Chief Marketing Officer for TI in Japan and Vice President of Semiconductors for TI Asia give Mr. Stich insight into marketing and product management of semiconductor products in Asia. He has served on the Board and the Audit Committee of the Company for the past 16 years. In addition, with service as chairman of the audit committee, as well as a member of both the nominating and corporate governance committee and the compensation committee at Spansion Inc., Mr. Stich possesses experience in accounting principles, financial reporting rules and regulations, corporate governance and director and executive compensation.

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Michael K.C. Tsai      Director

Member, Compensation Committee

Member, Governance and Stockholder Relations Committee

Mr. Tsai has been the Chairman of the Board of Maxchip Electronics Corp. since 2008 and the Chairman of the Board of Zentel Electronics Corp. since 2010. He has been a director of Powerchip Semiconductor Corp. since 1994 and served as its Vice Chairman from 2003 to 2012. Mr. Tsai was the Chairman of the Board of uPI Semiconductor Corp. from 2007 to 2011 and the Chairman of the Board and the Chief Executive Officer of Elitegroup Computer Systems, Inc. from 1991 to 1994. From 1990 to 1994, he served as a board member and an investor representative of Tailink Venture Corp. He was the President and Chief Executive Officer of Esprit Systems, Inc. from 1989 to 1990. He held numerous executive positions in sales, marketing, planning and general management with the Acer Group from 1978 to 1988. Mr. Tsai began his career as an electronic design engineer with Tatung Corp. in 1977. Mr. Tsai received his Bachelor's degree in Control Engineering and Computer Science from National Chiao-Tung University in Taiwan in 1975.

Mr. Tsai's decades of experience serving on the boards of numerous technology and semiconductor companies, and holding various management positions in companies in the technology and semiconductor industry, provide an insightful view of the semiconductor industry to the Board. Mr. Tsai also brings a range of boardroom experience and corporate governance knowledge to further strengthen the operation of the Board.

See "Security Ownership of Certain Beneficial Owners and Management" and "Corporate Governance – Certain Relationships and Related Person Transactions" for a discussion of the relationships among Actron, Co-Tech Copper Foil Corporation, LTC, LSC, Silitech, and the Company.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE SEVEN NOMINEES TO THE BOARD SET FORTH ABOVE.**

## CORPORATE GOVERNANCE

## Committees of the Board

The Board has four standing committees: the Audit Committee, the Compensation Committee, the Governance and Stockholder Relations Committee and the Risk Oversight Committee (the “Committees”). Each Committee consists of two or more directors who serve at the discretion of the Board. The Board usually makes Committee and Committee chair assignments annually at its meeting immediately following the Company’s annual meeting of stockholders. The current composition of each Committee is as follows:

Directors	Audit Committee	Compensation Committee	Governance and Stockholder Relations Committee	Risk Oversight Committee
Raymond Soong <sup>(1)</sup>		Chair	Chair	Member
C. H. Chen <sup>(1)</sup>				Chair
Michael R. Giordano <sup>(1)</sup>	Chair <sup>(2)</sup>			
L.P. Hsu <sup>(1)</sup>	Member	Member		
Keh-Shew Lu				Member
John M. Stich <sup>(1)</sup>	Member		Member	
Michael K.C. Tsai <sup>(1)</sup>		Member	Member	

(1) Independent director (as determined by the Board under the rules of The NASDAQ Stock Market LLC (“Nasdaq”) and, in the case of members of the Audit Committee, the rules of the SEC).

(2) Qualifies as “audit committee financial expert” as the term is defined in Item 407(d)(5) of Regulation S-K promulgated under the Exchange Act.

## Director Independence

The Board has determined that six of the seven current directors are “independent directors” as shown in the above table, and as the term “independent director” is defined under the rules of Nasdaq. The Board also has determined that each member of its Audit Committee, Compensation Committee and Governance and Stockholder Relations Committee meets the applicable independence requirements prescribed by Nasdaq and the SEC.

## Audit Committee

The Audit Committee makes recommendations to the Board regarding the engagement of the Company’s independent registered public accounting firm, reviews the plan, scope and results of the audit, reviews the Company’s policies and procedures with the Company’s management concerning internal accounting and financial controls, and reviews changes in accounting policy and the scope of non-audit services which may be performed by the Company’s independent registered public accounting firm. The Audit Committee also monitors policies to prohibit unethical, questionable or illegal activities by the Company’s employees. The “Audit Committee Report” section of this Proxy Statement describes in more detail the Audit Committee’s responsibilities, particularly with regard to the Company’s financial statements and its interactions with the Company’s independent registered public accounting firm.

The Board has determined that each member of the Audit Committee is “independent” as that term is defined under the rules of Nasdaq and the SEC, and is able to read and understand fundamental financial statements. The Board also has determined that Mr. Giordano qualifies as an “audit committee financial expert” as defined under the rules of the SEC.

#### Compensation Committee

The Compensation Committee makes recommendations to the Board regarding compensation, benefits and incentive arrangements for the Chief Executive Officer and other officers and key employees of the Company. The Compensation Committee also administers the 2013 Equity Incentive Plan (the “2013 Plan”), the 2001 Omnibus Equity Incentive Plan (the “2001 Incentive Plan”), the Company’s 401(k) profit sharing plan (the “401(k) Plan”) and the Company’s non-qualified deferred compensation plan. The Board has determined that each member of the Compensation Committee is “independent” as that term is defined under the rules of Nasdaq.

#### Governance and Stockholder Relations Committee

The principal purposes of the Governance and Stockholder Relations Committee (the “Governance Committee”) are to help ensure that the Board (i) identifies individuals qualified to become members of the Board, consistent with criteria approved by the Board, and (ii) selects the nominees for the next annual meeting of stockholders. The Board has determined that each member of the Governance Committee is “independent” as that term is defined under the rules of Nasdaq.

## Risk Oversight Committee

The Risk Oversight Committee assists the Board in overseeing the Company's risk management process by (i) overseeing the Company's efforts to align its management of risks with its strategic objectives, (ii) overseeing the establishment and implementation of a risk oversight framework, and (iii) reviewing the effectiveness of the risk oversight framework in the identification, assessment, monitoring, management and disclosure of significant risks. The Risk Oversight Committee's oversight provides reasonable assurance that processes are in place to identify, assess, monitor, manage and disclose risks that may have a material adverse effect on the achievement of the Company's strategic objectives.

## Charters of the Committees

All four Committees operate pursuant to written charters, current copies of which are available on the Company's website, at [www.diodes.com](http://www.diodes.com), in the "Investors – Corporate Governance" section.

## Meetings of the Board and Committees

The following table represents the number of meetings and actions taken by written consent of the Board and the Committees in 2015:

	Meetings Held	Action by Written Consent
Board	6	6
Audit Committee	6	2
Compensation Committee	2	2
Governance Committee	2	1
Risk Oversight Committee	3	1

Each person who was a director of the Company or a member of a Committee was present for at least 75% of the meetings of the Board and all such Committees held during 2015.

It is the policy of the Company to require Board members to attend the annual meetings of stockholders, if practicable. Each director attended the 2015 annual meeting of stockholders.

## Board Leadership Structure

The Chairman of the Board conducts each Board meeting and sets the agenda of each Board meeting after consulting with the Chief Executive Officer and members of the Board. The Chairman of the Board also has the responsibility, in conjunction with the Chief Executive Officer, to establish effective communications with the Company's stakeholders, including stockholders, customers, employees, communities, suppliers, creditors, governments and corporate partners. The Vice Chairman of the Board has the responsibility to assist the Chairman of the Board in fulfilling these responsibilities.

Although the Board has no policy requiring the separation of the position of the Chairman of the Board and the position of the Chief Executive Officer of the Company, each position is currently held by a different person. Since the early 1990s, the Board has chosen to separate these positions because the Board believes that each position is meant to oversee different tasks. The Chairman of the Board should devote his time to managing the affairs of the

Board and, along with fellow members of the Board, to overseeing the Chief Executive Officer and the senior management of the Company. The Chief Executive Officer should devote his time to managing the daily business operations of the Company along with senior management of the Company. The Board currently believes that the separation of the position of the Chairman of the Board and the Chief Executive Officer of the Company is the best solution to govern the Company efficiently.

#### Nominating Procedures and Criteria and Board Diversity

Among its functions, the Governance Committee considers and approves nominees for election to the Board. In addition to the candidates proposed by the Board or identified by the Governance Committee, the Governance Committee considers candidates for director suggested by stockholders provided such recommendations are made in accordance with the procedures set forth under “Proposals of Stockholders and Stockholder Nominations for 2017 Annual Meeting.” Stockholder nominations that comply with these procedures and meet the criteria outlined below will receive the same consideration that the Governance Committee’s nominees receive.

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Essential criteria for all candidates considered by the Governance Committee include the following:

- integrity and a commitment to ethical behavior;
- personal maturity and leadership skills in industry, education, the professions, or government;
- independence of thought and willingness to deal directly with difficult issues;
- fulfillment of the broadest definition of diversity, seeking diversity of thought; and
- broad business or professional experience, with an understanding of business and financial affairs, and the complexities of business organizations.

In evaluating candidates for certain Board positions, the Governance Committee evaluates additional criteria, including the following:

- renowned technologist with scientific accomplishment in engineering, chemistry, solid state physics or electronics;
- senior management experience and expertise, especially from leadership roles in semiconductor, information technology or electronics corporations;
- financial or accounting expertise, generally and as necessary to fulfill the financial requirements of the SEC and Nasdaq regulations;
- leadership experience in other industries to help the Company better understand the care-about in key, targeted industries; and
- experience in investment banking, commercial lending or other financing activities.

In selecting nominees for the Board, the Governance Committee evaluates the general and relevant specialized criteria set forth above prior to commencement of the recruitment process, determines whether a nominee fulfills the independence requirements of the SEC and Nasdaq, evaluates recommendations received from other existing members of the Board, reviews the education of the nominee, evaluates the quality of experience and achievement of the nominee, reviews the nominee's current or past membership on other companies' boards, determines that the nominee has the ability and the willingness to spend the necessary time required to function effectively as a director (except in extraordinary circumstances, no director shall serve on the board of more than four other public companies), and determines that the nominee has a genuine interest in representing the stockholders and the interests of the Company overall.

If the Governance Committee is evaluating a nominee for re-election, the Governance Committee will review the nominee's performance, including the following: availability for and attendance at meetings; contribution to Board processes such as information gathering and decision making; accessibility for communication with other directors and management; participation in Committee activities; depth of knowledge of the Company and its industry; the Company's performance during the nominee's previous term, in light of the role played by the Board and the nominee in guiding management; and any specialized expertise or experience that has contributed or may contribute to the functioning of the Board or the success of the Company.

The Governance Committee believes that the Board should include individuals with a broad range of relevant professional expertise, experience and education and reflect the diversity and cultural and geographical perspectives of the Company's employees, customers and suppliers.

The Governance Committee, as well as the full Board, has recommended the Board's nominees for election at the Meeting. Stockholders have not proposed any candidates for election at the Meeting.

#### Director Resignation Policy

Under the Company's director resignation policy, promptly following the receipt of the final report from the Inspector of Elections relating to an election of directors of the Company (other than elections in which the number of nominees exceeds the number of directors to be elected), any nominee who receives a greater number of votes "WITHHELD"



from his election than votes “FOR” his election, will tender his resignation for consideration by the Board. Subject to certain conditions, the Governance Committee will meet to consider the tendered resignation and make a recommendation to the Board concerning the action, if any, to be taken with respect to the director’s resignation.

The Board will consider and act upon the Governance Committee’s recommendation within 90 days of certification of the vote at the Meeting. In considering the director’s resignation, the Governance Committee and the Board will consider all factors they deem relevant, including, without limitation, the underlying reason for the vote result, if known, the director’s contributions to the Company during his tenure, and the director’s qualifications. The Board may accept the resignation, refuse the resignation, or refuse the resignation subject to such conditions designed to cure the underlying cause as the Board may impose. Within four business days of the decision regarding the tendered resignation, the Company will file with the SEC a report on Form 8-K disclosing the decision with respect to the resignation, describing the deliberative process and, if applicable, the specific reasons for rejecting the tendered resignation.

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## Communications with Directors

You may communicate with the chair of our Audit Committee, our Compensation Committee, our Governance Committee or our Risk Oversight Committee or with our independent directors individually or as a group, by writing to any such person or group c/o Richard D. White, Secretary, Diodes Incorporated, 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024.

Communications are distributed to the Board, or to any individual director, depending on the facts and circumstances set forth in the communication. In that regard, the Board has requested that certain items that are unrelated to the duties and responsibilities of the Board be excluded, including, but not limited to, the following: junk mail and mass mailings; product complaints; product inquiries; new product suggestions; résumés and other forms of job inquiries; surveys; and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will not be distributed, provided that any communication that is not distributed will be made available to any independent director upon request.

Communications that include information that would be better addressed by the Company's ethics and compliance hotline, supervised by the Audit Committee at (855) 316-2192, will be delivered to the Audit Committee.

## Corporate Policies

### Hedging Policy

The Company's insider trading policy prohibits all executive officers and directors of the Company from engaging in any hedging or monetization transactions involving the Company's securities, including zero cost collars, forward sale contracts, and trading in options, puts, calls, or other derivative instruments related to the Company's Common Stock. No executive officers or directors of the Company currently are parties to a hedge with respect to any shares of Common Stock of the Company.

### Pledging Policy

The Company's insider trading policy prohibits executive officers and directors from pledging the Company's securities. Acquiring Company shares on margin also is prohibited. No executive officers and directors of the Company currently are parties to a pledge of any shares of the Common Stock of the Company.

### Stock Ownership Policy

**Stock Ownership Policy for Directors.** The Company's stock ownership policy provides that all non-employee directors are required to acquire (and thereafter throughout the term of appointment maintain ownership of) a minimum number of shares of Common Stock with a value equal to three times the annual retainer received by them as directors within five years of the later of (1) the adoption of this stock ownership policy, or (2) their respective appointment or initial election. All of the directors are currently or are expected to be in compliance with our stock ownership policy in accordance with the time frame requirements.

**Stock Ownership Policy for Executive Officers.** The Company's stock ownership policy provides that all individuals holding the positions with the Company listed below are required to acquire (and thereafter throughout the term of employment maintain ownership of) a minimum number of shares of Common Stock with a value equal to the multiple of such executive officer's annual base salary (excluding bonus) within five years of the later of (1) the

adoption of this stock ownership policy, or (2) their respective appointment (other than a newly-appointed Chief Executive Officer, who has seven years to comply), as follows:

Position	Multiple of Salary
Chief Executive Officer	6 times annual base salary (excluding bonus)
Senior Vice President or Vice President	2 times annual base salary (excluding bonus)

All of the executive officers are currently or are expected to be in compliance with our stock ownership policy in accordance to the time frame requirements.

For purposes of this stock ownership policy, stock ownership includes any shares owned by an executive officer or director or his or her immediate family members or held by him or her as part of a tax or estate plan in which the executive officer or director retains beneficial ownership. The value of shares held is calculated once per year, on the last business day of the fiscal year. For purposes of determining compliance with this stock ownership policy, “value” means an assumed per share value based on the closing price of Common Stock on the last business day of the fiscal year. An executive officer or director subject to this stock ownership policy is not required to acquire shares of Common Stock in accordance with this policy if acquisition at such time would result in a violation of the Company’s insider trading policy, in which event the executive officer or director is required to comply with this stock ownership policy as soon as reasonably feasible thereafter. A hardship exception is available at the discretion of the Compensation Committee, but no exceptions have been solicited or granted to date.

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If any executive officer or director is determined to own less than the minimum number of shares of Common Stock, such executive officer or director shall have the two open periods after the two subsequent “Blackout Periods” to obtain the minimum number of shares of Common Stock. Blackout Period is (i) a period starting on the first day of the third month (March 1, June 1, September 1, December 1) in each calendar quarter and ending two business days after earnings for that calendar quarter have been publicly released (trading can begin on the third business day after announcement); and (ii) any other period of significant corporate activity designated from time to time by the Company.

#### Stock Retention Policy

In addition to the stock ownership policy described above, under which each executive officer or director must maintain a certain multiple of his or her annual base salary or annual retainer throughout the term of employment or appointment, each executive officer or director who acquires shares of our Common Stock through the exercise of a stock option is required to retain 33% of the “net” shares acquired (i.e., net of the tax impact of the stock option exercise) until the earlier to occur of the first anniversary of the date of exercise or the date the individual ceases to be an executive officer or director. This stock retention policy applies to all stock option grants awarded to executive officers or directors.

#### Clawback Policy

In the event the Company is required to restate any interim or annual financial statement filed with the SEC to correct an accounting error due to the material noncompliance of the Company, as a result of misconduct (as defined), with any financial reporting requirement under the federal securities laws, the Board, or any committee of independent directors (as defined in Nasdaq Rule 4200(a)(15)) appointed by the Board (“Independent Committee”), shall review each performance-based award (as defined) paid or granted to or exercised by each covered person (as defined) during the covered period (as defined).

If the Board or the Independent Committee shall determine, in its sole discretion, that (1) a covered person has committed misconduct and (2) the payment, grant, amount, value or vesting during the covered period of any performance-based award would have been different had it been determined, in whole or in part, based on the achievement of the financial results as subsequently restated, then the Board or such Independent Committee may take such actions as it deems appropriate, to recoup any portion of any such performance-based award that would not have been awarded to the covered person had the financial results been properly reported. The Company shall not take any action more than three years after the end of the covered period.

A copy of each such corporate policy is contained in our Corporate Governance Guidelines, which is available on the Company’s website, [www.diodes.com](http://www.diodes.com), in the “Investors – Corporate Governance” section.

#### Executive Officers of the Company

None of the executive officers was selected pursuant to any arrangement or understanding, other than that with the executive officers of the Company acting within their capacity as such. Executive officers serve at the discretion of the Board. The following table and discussion sets forth certain biographical information concerning the Company’s executive officers as of the Record Date:

Name	Age	Position with the Company
Keh-Shew Lu <sup>(1)</sup> <sup>(2)</sup>	69	President, Chief Executive Officer and Director
Richard D. White <sup>(1)</sup>	68	Chief Financial Officer and Secretary
Mark A. King <sup>(1)</sup>	57	Senior Vice President, Sales and Marketing
Hans Rohrer	67	Senior Vice President, Business Development
Clemente Beltran	46	Vice President, Corporate Supply Chain/Planning, Outsourcing and Quality
Julie Holland	54	Vice President, Worldwide Analog Products
Alex Chi Ming Hui	59	Vice President, Analog Business Group/Pericom
Edmund Tang <sup>(1)</sup>	68	Vice President, Corporate Administration
Francis Tang <sup>(1)</sup>	61	Vice President, Worldwide Discrete Products

(1) These five executive officers are the Company's NEOs for 2016.

(2) See "Proposal One - Election of Directors" for biographical information regarding Dr. Keh-Shew Lu.

Richard D. White      Chief Financial Officer and Secretary

Mr. White was appointed the Company's Chief Financial Officer in 2009. From 2006 to 2009, he served as Senior Vice President, Finance. Mr. White has 35 years of senior level finance experience, including 25 years at TI, where he served as Vice President of Finance and Production Planning for MOS memory, Controller for TI's Asia Pacific Division in Singapore, and various other financial positions in the United States, France and Germany. From 1999 to 2005, he served as the Chief Financial Officer for Optisoft, Inc., and from 2005 to 2006, he served as a Partner of Tatum, LLC. Mr. White, a licensed certified public accountant, holds a Bachelor's degree in Electrical Engineering from Oklahoma State University and an MBA from the University of Michigan.

Mark A. King            Senior Vice President, Sales and Marketing

Mr. King was appointed to his current position in 2005. He previously served as the Company's Vice President, Sales and Marketing from 1998 to 2005 and Vice President, Sales from 1991 to 1998. Prior to joining the Company, Mr. King served for nine years in various sales management positions at Taiwan Lite-On. Mr. King holds a Bachelor's degree in Business Administration from the University of Arizona.

Hans Rohrer            Senior Vice President, Business Development

Mr. Rohrer was appointed to his current position in 2008. He previously served as the Chief Executive Officer of Zetex plc from 2006 until it was acquired by the Company in 2008. He began his career in research and development at Diehl Data Systems before working at TI from 1976 to 1980, where he held a variety of engineering and marketing positions. From 1980 to 1998, Mr. Rohrer held several senior managerial positions at National Semiconductor Corporation ("NSM") and led NSM's European organization from 1990 to 1998 as Vice President and General Manager. From 1998 to 2002, Mr. Rohrer served as President of Taiwan Semiconductor Manufacturing Company Limited – Europe. Mr. Rohrer was the President and Chief Executive Officer of Acuid Corporation from 2002 until joining Zetex plc in 2006. Mr. Rohrer holds a Master's degree in Electronics from Aalen University and received further business and management education from Stanford University and INSEAD. Mr. Rohrer also served on several boards of publicly traded companies as well as privately held companies and is Chairman of the Board of Greenpeak Technologies.

Clemente "Clay" Beltran            Vice President, Corporate Supply Chain/Planning, Outsourcing and Quality

Mr. Beltran was appointed to his current position in 2011. Prior to joining the Company, he served as Vice President of Business Development in 2011 for Semtech Corporation after serving as its Vice President of Worldwide Operations from 2006 to 2010. Prior to Semtech, Mr. Beltran served as Director of Worldwide Operations Planning and Backend Operations for Intersil Corporation from 2002 to 2006. He served as Director of Operations for Elantec Semiconductor, Inc., a manufacturer of analog integrated circuits from 1999 until that company was acquired by Intersil in 2002. He holds a Bachelor's degree in Mathematics from University of California, Los Angeles, as well as an MBA from Pepperdine University.

Julie Holland            Vice President, Worldwide Analog Products

Ms. Holland joined the Company in 2008. She previously spent over 20 years at TI where she held several key management roles, last serving as director and general manager of the Connectivity Solutions business unit prior to her departure in 2007. Her responsibilities included leading business and technical teams in the United States, Asia and Japan in the development, production and marketing of multiple analog and interface product lines. Prior to joining the Connectivity Solutions business unit, Ms. Holland served at TI as Director, Worldwide Bus Solutions from 2000 to 2001 and as Director, Computer Peripheral and Control Products from 1997 to 1999. She earned her Bachelor's degree in Physics and Mathematics at Northwestern University and her Master's degree in Engineering Management at Southern Methodist University. She is an alumna of Leadership America and Leadership Texas, and was named a Fellow of the International Women's Forum Leadership Foundation.

Alex Chi Ming Hui            Vice President, Analog Business Group/Pericom

Mr. Hui has been the Company's Vice President, Analog Business Group/Pericom, since November 2015, and was the Chief Executive Officer, President and a director of Pericom Semiconductor Corporation ("Pericom") from June 1990 until it was acquired by the Company in November 2015. From August 1982 to May 1990, Mr. Hui was employed by LSI Logic Corporation, most recently as its Director of Advanced Development. From August 1980 to July 1982, Mr.

Hui was a member of the technical staff of Hewlett Packard Company. Mr. Hui holds a Bachelor's degree in Electrical Engineering from the Massachusetts Institute of Technology and a Master's Degree in Electrical Engineering from the University of California at Los Angeles.

Edmund Tang      Vice President, Corporate Administration

Mr. Tang was appointed to his current position in 2006. He has 33 years of managerial and engineering experience, including 25 years at TI, where he last served as its Vice President and global memory quality manager of the world-wide MOS memory operation from 1997 to 2001, and prior to that he was TI's Vice President and General Manager of Asia memory operations. From 2002 to 2006, Mr. Tang served as the Asia President of FSI International Inc. ("FSI"), a global supplier of wafer cleaning and processing technology, responsible for FSI's business in Taiwan, Singapore, South Korea, and China. Mr. Tang holds a Bachelor's degree in Electrical Engineering from the National Cheng Kung University in Taiwan and a Master's degree in Electrical Engineering from Southern Methodist University.

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Francis Tang Vice President, Worldwide Discrete Products

Mr. Tang was appointed to his current position in 2006. He previously served as the Company's Global Product Manager since 2005. From 2002 until joining the Company, Mr. Tang served as general manager of T2 Microelectronics in Shanghai, China where he managed complex mixed-signal SOC product development. From 1996 to 2001, Mr. Tang was the senior strategic marketing director for Acer Labs, Inc. USA, and prior to that, he was employed by NSM for 17 years, where he held various management positions in analog and mixed-signal circuit design, applications and strategic marketing. Mr. Tang holds a Master's degree in Electrical Engineering from University of Missouri – Rolla.

### Compensation of Directors

The following table sets forth the compensation of each director, who is not a NEO, for service in 2015:

Name	Fees		Non-Equity		Changes in Pension Value and Nonqualified Deferred Compensation		All Other Compensation	Total
	Earned or Paid in Cash	RSUs	Stock Options	Incentive Plan Compensation	Earnings	Compensation		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Raymond Soong	80,000	552,980	—	—	—	—	632,980	
C.H. Chen	80,000	378,084	—	—	—	—	458,084	
Michael R. Giordano	100,000	110,596	—	—	—	—	210,596	
L.P. Hsu	90,000	110,596	—	—	—	—	200,596	
John M. Stich	90,000	110,596	—	—	—	—	200,596	
Michael K.C. Tsai	80,000	110,596	—	—	—	—	190,596	

(1) These amounts reflect the value determined by the Company for accounting purposes for these awards and do not reflect whether each director has actually realized a financial benefit from the awards. The value of the equity awards in column (c) and (d) is based on the grant date fair value calculated in accordance with the amount recognized for financial statement reporting purposes. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Amounts reported for RSUs are calculated by multiplying the number of shares subject to the award by the closing price of the Company's Common Stock on the grant date. See Note 12, Share-Based Compensation, to the Company's audited financial statements for the fiscal year ended December 31, 2015, included in the Company's Annual Report on Form 10-K



filed with the SEC on March 11, 2016, for a further discussion of the relevant valuation assumptions used in calculating grant date fair value. All equity awards vest in four equal annual installments.

(2) Under the Company's 2015 director compensation plan, each non-employee director listed in the table above was granted an award of 4,300 RSUs on May 26, 2015, except Mr. Raymond Soong and Mr. C.H. Chen, who were granted awards of 21,500 and 14,700 RSUs, respectively, on May 26, 2015..

The following table shows the aggregate number of shares underlying outstanding RSUs and outstanding stock options held by non-employee directors as of December 31, 2015:

	RSUs	Stock Options
Name	(#)	(#)
Raymond Soong	53,750	—
C.H. Chen	36,750	—
Michael R. Giordano	10,750	—
L.P. Hsu	10,750	—
John M. Stich	10,750	—
Michael K.C. Tsai	10,750	—

Since 2007, each non-employee director of the Company has received a quarterly retainer of \$20,000, the Chairman of the Audit Committee has received an additional \$5,000 quarterly retainer, and each other member of the Audit Committee has received an additional \$2,500 quarterly retainer.

In addition, the following amounts of RSUs, which vest in four equal annual installments commencing on the first anniversary of the date of grant, were granted in 2015 to each non-employee director: Chairman of the Board: 21,500 shares; Vice Chairman: 14,700 shares; and all other directors: 4,300 shares. The Board may modify such compensation in the future.

#### Compensation Committee Interlocks and Insider Participation

During 2015, the Compensation Committee consisted of three directors: Raymond Soong (Chairman), L.P. Hsu, and Michael K.C. Tsai. During 2015, no executive officer of the Company served on the compensation committee (or equivalent) of the Board of Directors of another entity whose executive officer(s) served on the Company's Compensation Committee or Board.

#### Report of the Audit Committee

The Report of the Audit Committee of the Board does not constitute soliciting material and shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

#### AUDIT COMMITTEE REPORT

The Board maintains an Audit Committee comprised of three of the Company's directors, Michael R. Giordano (Chairman), L.P. Hsu and John M. Stich. Each member of the Audit Committee meets the independence and experience requirements of Nasdaq and the independence requirements of the SEC. Mr. Giordano qualifies as an "audit committee financial expert" as defined under the rules of the SEC. The Audit Committee assists the Board in monitoring the accounting, auditing and financial reporting practices of the Company.

Management is responsible for the preparation of the Company's financial statements and financial reporting process, including evaluating the effectiveness of its system of internal controls. In fulfilling its oversight responsibilities, the Audit Committee:

- reviewed and discussed with management the audited financial statements contained in the Company's Annual Report on Form 10-K for fiscal 2015; and

- obtained from management their representation that the Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The independent registered public accounting firm is responsible for performing an audit of the Company's financial statements in accordance with the auditing standards generally accepted in the United States and expressing an opinion on whether the Company's financial statements present fairly, in all material respects, the Company's financial position and results of operations for the periods presented and conform with accounting principles generally accepted in the United States and the effectiveness of the Company's internal control over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee:

discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301 (formerly, Auditing Standard No. 16) (“Communications with Audit Committees”); and received and discussed with the independent registered public accounting firm the written disclosures and the letter from the independent registered public accounting firm required by the Public Company Accounting Oversight Board as currently in effect (“Independence Discussions with Audit Committees”), and reviewed and discussed with the independent registered public accounting firm whether the rendering of the non-audit services provided by them to the Company during fiscal 2015 was compatible with their independence.

The Audit Committee operates under a written charter, which was adopted by the Board and is assessed annually for adequacy by the Audit Committee. The Audit Committee held six (6) meetings during fiscal 2015, and took action by written consent on two (2) occasions.

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In performing its functions, the Audit Committee acts only in an oversight capacity. It is not the responsibility of the Audit Committee to determine that the Company's financial statements are complete and accurate, are presented in accordance with accounting principles generally accepted in the United States or present fairly the results of operations of the Company for the periods presented or that the Company maintains appropriate internal controls. Nor is it the duty of the Audit Committee to determine that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's auditors are independent. Based upon the reviews and discussions described above, and the report of the independent registered public accounting firm, the Audit Committee has recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for filing with the SEC. The Audit Committee also has recommended, and the Board also has approved, the selection of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.

Dated: March 30, 2016 THE AUDIT COMMITTEE

Michael R. Giordano, Chairman  
L.P. Hsu  
John M. Stich

#### Code of Ethics

The Company has adopted a Code of Ethics applicable to the principal executive officer, principal financial officer, principal accounting officer, or persons performing similar functions of the Company. The Code of Ethics is available on the Company's website at [www.diodes.com](http://www.diodes.com), in the "Investors – Corporate Governance" section. The Company intends to disclose future amendments to, or waivers from, certain provisions of the Code of Ethics applicable to senior financial executives on the Company's website within four business days following the date of such amendment or waiver.

#### Certain Relationships and Related Person Transactions

##### Policy Regarding Related Person Transactions

The Audit Committee has adopted a written policy (the "Policy") to review any transaction (a "related person transaction") in which the Company was, or is to be, a participant and in which any director, executive officer, or beneficial owner of more than five percent (5%) of the outstanding shares of Common Stock of the Company, or any immediate family member of any such person, has a direct or indirect material interest. The Policy requires the following:

the Audit Committee shall review any proposed agreement or arrangement relating to a related person transaction or series of related person transactions, and any proposed amendment to any such agreement or arrangement;  
the Audit Committee shall establish standards for determining whether the transactions covered by such proposed agreement or arrangement are on terms no less favorable to the Company than could be obtained from an unrelated third party ("fair to the Company");  
before the Company enters into any such proposed agreement or arrangement, and at least annually thereafter, the Company's internal audit department shall report to the Audit Committee whether the transactions covered by such agreement or arrangement are fair to the Company under the standards established by the Audit Committee;

the Audit Committee shall make all reasonable efforts (taking into account the cost thereof to the Company) to cancel or to renegotiate any such agreement or arrangement which is not so determined to be fair to the Company; and the Company will disclose any related person transactions required to be disclosed by the rules promulgated by the SEC, in the manner so required.

From time to time, the Audit Committee also will review any transaction it deems significant to the Company, including, but not limited to, transactions with Keylink International (B.V.I.) Inc. and its subsidiaries and affiliates (“Keylink”), and Chengdu Ya Guang Electronic Engineering Factory and its subsidiaries and affiliates (“Ya Guang”). Keylink is the Company’s 5% joint venture partner in the Company’s Shanghai, China manufacturing facilities, and Ya Guang is the Company’s 5% joint venture partner in the Company’s Chengdu, China manufacturing facilities.

#### Relationships and Transactions

The Audit Committee reviews all related party transactions for potential conflict of interest situations on an ongoing basis, in accordance with such procedures as the Audit Committee may adopt from time to time. We believe that all related party transactions are on terms no less favorable to us than could be obtained from unaffiliated third parties.

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We conduct business with a related party company, LSC. LSC is our largest stockholder, owning approximately 16.7% of the Company's outstanding Common Stock as of December 31, 2015, and is a member of the Lite-On Group of companies. Raymond Soong, our Chairman of the Board, is the Chairman of LSC, Co-Tech Copper Foil Corporation, LTC and Silitech, and also serves on the board of Actron, each of which is a member or affiliate of the Lite-On Group. In addition, C.H. Chen, our former President and Chief Executive Officer and our current Vice Chairman of the Board, is also Vice Chairman of LSC and is a board member of Co-Tech Copper Foil Corporation and LTC, a significant shareholder of LSC, each of which is a member or an affiliate of the Lite-On Group. Dr. Keh-Shew Lu, our President and Chief Executive Officer and a member of our Board, is a board member of LTC and Nuvoton. L.P. Hsu, a member of our Board, serves as a consultant to LTC, and he also currently serves as a supervisor of the Board of Directors of Nuvoton. Several of our directors and executive officers may own LSC common stock and/or hold options to purchase LSC common stock. The Company considers its relationship with LSC to be mutually beneficial, and the Company plans to continue its strategic alliance with LSC.

For the years ended December 31, 2015, 2014 and 2013, LSC accounted for approximately 2%, 3%, and 4%, respectively, of our silicon wafer supply, and 3%, 2% and 3%, respectively, of our finished goods supply.

We sell products to, and purchase inventory from, companies owned by Keylink. We sold products to companies owned by Keylink totaling 1%, 1% and 3% of net sales for the years ended December 31, 2015, 2014 and 2013, respectively. In addition, our subsidiaries in China lease their manufacturing facilities in Shanghai from, and subcontract a portion of our manufacturing process (metal plating and environmental services) to, Keylink. We also pay a consulting fee to Keylink. The aggregate amounts for these services for the years ended December 31, 2015, 2014 and 2013 were approximately \$18 million, 19 million and \$17 million, respectively.

We purchased silicon wafers from Nuvoton that we use in the production of finished goods, totaling \$12.6 million and \$12.7 million, respectively, for the years ended December 31, 2015 and 2014. See "Risk Factors – One of our external suppliers is also a related party. The loss of this supplier could harm our business, operating results and financial condition." in Part I, Item 1A, and Note 13 - "Related Party Transactions," to the Company's Annual Report on Form 10-K filed with the SEC on March 11, 2016 for additional information.

Notwithstanding such relationships and transactions, the Board has determined that each of Messrs. Soong, Chen, and Hsu is independent under the rules of Nasdaq and the SEC.

Mr. Kevin Chou, the son-in-law of Dr. Keh-Shew Lu, the Company's President, Chief Executive Officer and a member of the Board, has been employed by the Company as a Senior Financial Analyst since 2009. For 2015, Mr. Chou's total cash compensation was approximately \$133,800, and his total equity compensation was 1,200 RSUs, which vest in four equal annual installments.

#### Compliance with Section 16(a) of the Securities Exchange Act of 1934

Under Section 16(a) of the Exchange Act, the Company's directors, executive officers and any persons holding ten percent or more of the Common Stock are required to report their ownership of Common Stock and any changes in that ownership to the SEC and to furnish the Company with copies of such reports.

Specific due dates for these reports have been established by the SEC, and the Company is required to report any failure to file on a timely basis. Based solely upon review of copies of reports filed by the Company's directors and

executive officers with the SEC during the most recent fiscal year ended December 31, 2015, all reports required to be filed in 2015 were filed timely except for the late filing of a Form 4 by Alex Hui, the former Chief Executive Officer of Pericom, to reflect stock awards received on November 24, 2015 in connection with Pericom's acquisition by Diodes. These awards were included in Mr. Hui's Form 3 filed on December 4, 2015.

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## PROPOSAL TWO

### APPROVAL OF EXECUTIVE COMPENSATION

At the Meeting, the stockholders are being asked to approve the compensation of the NEOs as disclosed below pursuant to the compensation disclosure rules of the SEC, including the information in “Compensation Discussion and Analysis” and in the Summary Compensation Table and other related tables and narrative disclosure below in “Executive Compensation.”

At the Company’s 2011 annual meeting of the stockholders, the Company’s stockholders voted in favor of providing stockholders an advisory vote on the approval of the compensation of the Company’s NEOs on an annual basis.

As discussed below, our executive compensation programs are designed to attract, retain and motivate executives who are critical to our long-term growth and profitability. Under these programs, our executives are incentivized to achieve Company performance goals and individual objectives established by the Compensation Committee, without encouraging undue or unreasonable risk-taking.

The Compensation Committee reviews our executive compensation programs annually to ensure they align executive compensation with the interests of our stockholders and current market practices. See “Compensation Discussion and Analysis” and “Executive Compensation” for information about our executive compensation programs, including information about the fiscal 2015 compensation of the NEOs.

This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on the compensation of our NEOs. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the executive compensation philosophy and decisions described in “Compensation Discussion and Analysis” and “Executive Compensation.”

Approval of the compensation paid to the NEOs, as disclosed below pursuant to the compensation disclosure rules of the SEC, requires the affirmative vote of the holders of a majority of the outstanding shares of the Common Stock present, in person or by proxy, and entitled to vote on the proposal at the Meeting.

This vote is advisory and is not binding on the Company, the Board or the Compensation Committee. However, the Board and the Compensation Committee value the opinions of our stockholders and will review the result of the vote and take it into consideration when making future decisions regarding executive compensation.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE COMPENSATION OF OUR NEOs AS DISCLOSED IN “COMPENSATION DISCUSSION AND ANALYSIS” AND “EXECUTIVE COMPENSATION.”**



## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion and Analysis (“CD&A”) explains the Company’s compensation objectives and philosophy, as well as how and why compensation decisions were made in 2015 for each person who served as the Company’s principal executive officer or principal financial officer during 2015 and the Company’s three other most highly compensated executive officers (collectively, the “NEOs”). This section also explains how the compensation of NEOs is aligned with the interests of the Company’s stockholders and places in perspective the executive compensation information contained in the tables that appear under the caption “Executive Compensation.”

The Company has nine executive officers. The Company has a complex structure with manufacturing entities in Asia, the United States, Germany and the United Kingdom, sales offices in the United States, Europe and throughout Asia and design centers in the United States, Europe and Asia. We hold our executives responsible for the Company’s performance and for a strong culture of ethical behavior.

For 2015, our NEOs were:

Dr. Keh-Shew Lu, President and Chief Executive Officer and a member of the Board;  
Richard D. White, Chief Financial Officer and Secretary;  
Mark A. King, Senior Vice President of Sales and Marketing;  
Edmund Tang, Vice President Corporate Administration; and,  
Francis Tang, Vice President of Worldwide Discrete Products.

To assist stockholders in finding important information, this CD&A is organized as follows:

<u>Summary</u>
<u>Performance</u>
<u>Performance and Total Stockholder Return (“TSR”)</u>
<u>Compensation</u>
<u>Compensation Program Incorporates Best Practices</u>
<u>Engagement</u>
<u>Compensation Approach</u>
<u>Compensation Objectives and Philosophy and How the Company’s Compensation Program Operates</u>
<u>on Consultant, Selection of Peer Group and Compensation Surveys</u>
<u>and Executive Officer Compensation</u>
<u>Corporate Governance Considerations in Compensation</u>
<u>the Compensation Committee</u>



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	2010	2014	2015	2010-2015	2014-2015		
Diodes Incorporated	\$26.99	\$27.57	\$22.98	-3	%	-17	%
NASDAQ Industrial Index	\$2,184.02	\$3,789.15	\$4,101.19	13	%	8	%
PHLX Semiconductor Index	\$411.62	\$686.87	\$663.48	10	%	-3	%

\*Total Stockholder Return (“TSR”) is defined as stock price appreciation plus dividends, as if those dividends have been reinvested in the Company’s stock, over time. We have never paid cash dividends.

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## 2015 President and CEO Compensation

**Base Salary.** Dr. Lu's base salary was set at \$623,000 on June 1, 2015, a 13.7% increase from 2014, which was in approximately the 25<sup>th</sup> percentile of base salaries paid to executive officers with comparable duties by similarly sized companies in the semiconductor industry. This salary was based on the Company's relative performance versus its peer group and the progress made by the Company in meeting its strategic objectives. For a more detailed description, see "Compensation Discussion and Analysis – Summary of Compensation Approach – Compensation Objectives and Philosophy and How the Company's Compensation Program Operates – Fixed and Variable Compensation – Base Salaries."

**Annual Bonus.** Dr. Lu's annual bonus for 2015 was \$460,000, a decrease of 50% from 2014, and was determined by the executive bonus formula which takes into account the Company's revenue and net income performance in 2015, as well as qualitative and quantitative factors including the acquisition of Pericom, and the Company's financial performance in 2015. For a more detailed description, see "Compensation Discussion and Analysis – Summary of Compensation Approach – Compensation Objectives and Philosophy and How the Company's Compensation Program Operates – Fixed and Variable Compensation – Bonuses."

**Long-Term Incentive ("LTI") Opportunity.** Dr. Lu's aggregate LTI opportunity in the form of equity awards (excluding PRSAs) for 2015 was \$2,829,200, which was based upon three elements: first, the Company's compensation philosophy that the total compensation of an executive officer (i.e., the aggregate of all cash and equity awards) should be competitive at the median (50<sup>th</sup> percentile) of the total compensation paid to executive officers with comparable duties and responsibilities by other similarly sized companies in the semiconductor industry; second, the Company's overall performance in 2015; and third, that the Company had achieved its 25<sup>th</sup> consecutive year of profitability and its revenue CAGR for the last ten years had outperformed that of its competitors in its semiconductor SAM.

**Total Compensation.** Dr. Lu's total compensation for 2015 of \$3,938,013 was approximately 21% lower than 2014.

**Performance Equity Incentive.** In 2015, the Company and Dr. Lu entered into a seven-year employment agreement (the "2015 Employment Agreement") that replaced Dr. Lu's 2009 employment agreement and into a 2013 Equity Incentive Plan Stock Unit Agreement, which together provide that a portion of his compensation will be in the form of PRSA's (the "2015 PRSAs") that vest only if the Company achieves a gross profit goal of \$600 million for the four most recently completed fiscal quarters as shown in an Annual Report on Form 10-K or in a Quarterly Report on Form 10-Q filed with the SEC. In addition, Dr. Lu continues to have unvested PRSAs from his 2009 stock unit agreement ("2009 PRSAs") as part of his 2009 employment agreement package, and these 2009 PRSAs will only vest when the Company achieves \$1 billion in revenue for any fiscal year, provided Dr. Lu is then employed by the Company. For further details on these PRSAs, including goals required for vesting, see "Executive Compensation – Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table – Employment Agreements."

## Our Compensation Program Incorporates Best Practices

Best practices in our executive compensation program include:

- All members of the Compensation Committee are independent as defined by corporate governance listing standards of Nasdaq
- Pay aligned with Company performance
- Stockholder engagement program
- Market-based approach for determining NEO target pay
- LTI based on relative TSR and value-driving financial metrics

- Caps on annual incentives and LTI
- Perquisites limited to those that are business-related
- Severance provisions at or below market
- Clawback policy on all variable pay
- Double trigger provisions for change in control limited severance benefits
- Consideration by Compensation Committee of stockholder dilution and burn rate in equity grant decisions
- Stock ownership requirements
- Percentage of equity grant retention requirements

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- Peer group revised in 2015 and adjusted in 2016 for acquisition activity
- Compensation survey by independent consultant – updated in early 2015
- Plan design and administration used to minimize incentives for imprudent risk taking
- Independent consultant retained by and reports directly to the Compensation Committee

We do not engage in or allow the following practices in our executive compensation program:

- No option backdating, cash out of underwater options or option repricing
- Policy prohibiting hedging or pledging of Company stock
- No excise tax gross up upon a change in control
- No enhanced retirement formula or inclusion of LTI in pensions
- No enhanced death benefits for executives

#### Stockholder Engagement

At the Company's 2015 annual meeting, the Company provided stockholders with a non-binding advisory vote to approve the Company's executive compensation for 2014. Institutional Shareholder Services Inc. ("ISS"), a proxy advisory firm, recommended a vote "FOR" approval of the Company's executive compensation for 2014. The stockholders approved the NEOs' compensation for 2014 by a vote of approximately 73.5% (computed without regard to abstentions and broker non-votes). In response to the 2015 say-on-pay vote and discussions with stockholders, the Compensation Committee modified the executive bonus program to provide that a significant portion of an executive officer's bonus would be performance-based. For 2015, the maximum aggregate amount available for executive bonuses was based on a formula that compares (1) the Company's actual revenue growth to the growth of the Company's SAM and (2) the Company's actual net income to that of the prior year indexed to the revenue growth of the Company's SAM. For a more detailed description of the executive bonus formula, see "Compensation Discussion and Analysis – Summary of Compensation Approach – Compensation Objectives and Philosophy and How the Company's Compensation Program Operates – Fixed and Variable Compensation – Bonuses."

In addition, the Compensation Committee considered the accomplishments and the financial performance of the Company compared to the Peer Group in 2015. Based on that review, the Compensation Committee decided to limit the maximum aggregate amount available for executive bonuses to 50% of the maximum aggregate amount available in the prior year as compared to the approximately 80% determined under the formula described above. In effect this reduced the maximum aggregate amount available for executive bonuses in 2015 to approximately \$1.2 million versus the formula amount of \$1.9 million.

#### Summary of Compensation Approach

##### Our Compensation Objectives and Philosophy and How the Company's Compensation Program Operates

The objective of the Company's compensation program is to promote the continued profitability and growth of the Company for the benefit of its stockholders.

The Company seeks to attract, retain and motivate executives critical to the Company's long-term growth and profitability. The executive compensation consists primarily of base salaries, cash bonuses, equity awards and benefits.

The Compensation Committee determines the Company's compensation philosophy and the form of the compensation and benefits for NEOs and all other executive officers. The Compensation Committee operates under a written charter approved by the Board. A copy of the charter is available at [www.diodes.com](http://www.diodes.com) in the "Investors – Corporate Governance" section.

In support of this compensation philosophy, the Company generally believes that:

- The total compensation of NEOs and all other executive officers should be competitive (i.e., in approximately the 50<sup>th</sup> percentile) with the total compensation paid by other companies of similar size to their executive officers with comparable duties in the semiconductor industry;
  - Base salaries should only be a portion of the total compensation and should be around the median (50<sup>th</sup> percentile) base salaries paid by such other similarly sized companies; and
  - Cash bonuses and equity awards should be used to motivate NEOs and all other executive officers to consistently achieve above-market profitable growth, to achieve specific strategic and performance objectives established by the
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Board and to align the executive officers' interests with those of the Company's stockholders, without promoting excessive risk-taking.

The following policies and procedures reinforce the Company's compensation objectives and philosophy.

**Compensation Risk Assessment.** The Compensation Committee has conducted an annual compensation risk assessment and concluded that the Company's compensation policies and practices do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on the Company. The Compensation Committee took into account the significant proportion of the annual compensation that is based on equity incentives that have long maturities and vesting periods, and the Company's clawback, stock retention and stock ownership policies that align the NEO's and other executive officers' compensation with the interests of the Company's stockholders.

**Annual Evaluation Procedures.** The Compensation Committee determines the compensation for the executive officers, including the NEOs. The Compensation Committee meets in an executive session at the beginning of each fiscal year to (1) evaluate the performance of the NEOs and all other executive officers during the prior fiscal year; (2) determine their final annual bonuses, if any, for the prior fiscal year; (3) establish overall performance goals and objectives, if any, for the current fiscal year; and (4) establish the formula for determining the aggregate executive bonus amount for the current fiscal year. The Compensation Committee meets again in executive session mid-year to (1) set the executive officers' base salaries for the next 12 months; and (2) consider and approve any equity incentive compensation. At the end of each fiscal year, the Compensation Committee (1) reviews the formula established at the beginning of the fiscal year for determining the aggregate executive bonus amount for that fiscal year and makes any appropriate changes to such formula; (2) certifies satisfaction of the performance goals and objectives; and (3) determines the preliminary annual bonuses, if any, for all executive officers for the current fiscal year. The Compensation Committee may meet from time to time during the year to assess the adequacy of the Company's compensation for all executive officers. For a discussion of the criteria used by the Compensation Committee to evaluate the performance of NEOs in 2015, see "Compensation Discussion and Analysis – 2015 Named Executive Officer Compensation - How and Why Executive Compensation Decisions Were Made."

**Management's Role in Determining Executive Compensation.** The Compensation Committee discusses with, and takes into consideration, the recommendations of the Chief Executive Officer concerning the annual evaluation of the executive officers, except for matters related to the Chief Executive Officer's own evaluation and compensation. The Compensation Committee also periodically receives reports and recommendations from outside compensation consultants. The Chief Executive Officer has a role in determining executive compensation because he evaluates employee performance, recommends performance goals and objectives, and recommends salary levels, bonuses and incentive awards of the executive officers, other than himself.



Elements of Executive Compensation. During 2015, the Company's compensation for executive officers consisted of the components listed in the table below, which provides a brief description of the principal elements of compensation, how performance is factored into each element of compensation, and the primary objectives served by each element of compensation.

## Principal Elements of Executive Compensation

Element	Description	Performance Considerations	Primary Objectives
Base Salary	<ul style="list-style-type: none"> <li>Fixed cash payment with annual adjustment</li> </ul>	<ul style="list-style-type: none"> <li>Based on level of responsibilities, experience, individual performance, and past and potential contribution</li> </ul>	<ul style="list-style-type: none"> <li>Attract and retain talent</li> <li>Recognize career experience and individual performance</li> <li>Provide competitive compensation</li> <li>Reward individual performance</li> </ul>
Bonus	<ul style="list-style-type: none"> <li>Performance-based annual cash incentive</li> <li>Discretionary cash incentive</li> </ul>	<ul style="list-style-type: none"> <li>Based on Company's performance such as the Company's revenue and net income growth compared to market growth, as well as qualitative factors relating to the Company and the executive's performance</li> <li>Accomplishments, level of responsibilities and contributions to the achievement of the Company's performance</li> </ul>	<ul style="list-style-type: none"> <li>Attract and retain talent</li> <li>Promote and reward contributions to the Company's performance</li> <li>Align interest of the executive officers with stockholder interests</li> </ul>
Equity Awards	<ul style="list-style-type: none"> <li>Stock options – none were granted in 2015</li> <li>PRSAs</li> <li>RSUs</li> </ul>	<ul style="list-style-type: none"> <li>Value of RSUs directly linked with long-term performance of the Company's stock price</li> <li>Value of full value awards directly linked with the performance of the Company's stock price reflecting achievement of the Company's financial and strategic goals</li> </ul>	<ul style="list-style-type: none"> <li>Attract and retain talent</li> <li>Align interests of the executive officers with stockholder interests</li> <li>Reward individual performance through amount of awards granted and Company performance through stock price growth</li> </ul>
Additional Benefits and Perquisites	<ul style="list-style-type: none"> <li>Automobile allowance</li> <li>Deferred compensation plan</li> <li>Health, dental, vision, life, accidental death and</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Attract and retain talent</li> <li>Provide reasonable security to allow executive officers to perform at their best</li> </ul>

dismemberment, business travel  
accident, and long-term and  
short-term disability insurance

- Retirement plans
- Employee assistance program

· Provide competitive  
benefits and perquisites

· Promote health and  
well-being

Fixed and Variable Compensation. In 2015, the Compensation Committee continued its practice of awarding the majority of total direct compensation to the executive officers in the form of variable compensation. Variable compensation is tied to progress towards and the achievement of financial and strategic goals; including stock price appreciation, and incorporates elements such as annual incentive bonuses, PRSAs and RSUs. Fixed compensation includes elements such as annual base salaries and benefits and perquisites.

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Base Salaries. In determining the executive officers' base salaries, the Compensation Committee first looks to its compensation philosophy that base salaries should only be a portion of total compensation and may generally be at or lower than the median base salaries paid to officers with comparable duties by other companies of similar size in the semiconductor industry. The Compensation Committee then considers each executive officer's scope of responsibility, level of experience, individual performance, and past and potential contribution to the Company's business, as well as the Company's performance and the current year's change in the cost of living. The Compensation Committee does not assign any particular formula or weight to the foregoing factors. To ensure that the base salaries are adequate and consistent with the Company's compensation philosophy, the Compensation Committee also periodically reviews independent surveys of executive compensation, such as the 2015 Survey discussed below in "Compensation Consultant, Selection of Peer Group and Compensation Survey – Selection of New Group Companies," and compares the executive officers' base salaries to amounts paid to officers with comparable duties by similarly sized companies in the semiconductor industry. In addition, the Compensation Committee discusses and takes into consideration the recommendation of the Chief Executive Officer regarding each executive officer's base salary, other than the Chief Executive Officer's own base salary.

Bonuses. The Compensation Committee believes that bonuses should be a component of the total compensation of the executive officers to reward executive officers for their contributions to the growth in the Company's revenue and profitability and achievement of Company and individual objectives

In 2014, the Compensation Committee took steps to further align the Company's bonus program with the Company's performance. Commencing in 2014, the Compensation Committee (1) established a formula to determine the maximum aggregate amount available for executive bonuses that year and (2) designated that a significant portion of an executive officer's bonus would be based directly on the bonus performance formula with the remaining amount being distributed at the discretion of the Compensation Committee. The performance portion for each executive officer is calculated as the bonus performance formula factor multiplied by 70% of the executive officer's prior year total bonus.

The bonus performance formula compares (1) the Company's actual revenue growth to the growth of the Company's SAM and (2) the Company's actual net income to the Company's calculated net income based on a profit fall-through factor of SAM growth. These two factors – relative revenue growth and net income growth – are weighted 40% and 60%, respectively. The formula determines a "multiplier." The aggregate amount available for executive bonuses is limited to the product of (x) the multiplier and (y) the aggregate amount of the executive bonuses paid in the prior year. Each executive officer is entitled to receive a performance-based bonus equal to 70% of the product of (x) the multiplier and (y) his or her bonus for the prior year. The balance of the aggregate amount available for executive bonuses was available to be distributed to executive officers in the discretion of the Compensation Committee. No bonus would be paid if the Company's actual revenue growth and net income, as determined under this formula, was less than 80% of the prior year's performance. The Compensation Committee retains the right to reduce the maximum aggregate amount available for executive bonuses and any individual bonus from that based on the formula based on the performance formula.

If one or both of the two factors in the bonus performance formula, the Company's relative net sales growth and the Company's net income, increases or decreases for a fiscal year, then the bonus multiplier for that fiscal year may increase or decrease compared with prior year's bonus multiplier. In 2015, the Company's net sales decreased by approximately 4.7% and net income decreased approximately 61.9% from \$63.7 million in 2014 to \$24.3 million in 2015, which resulted in a 2015 bonus multiplier of 80.4% and decreased the 2015 aggregate amount available for executive bonuses compared with 2014.

For 2015, the Compensation Committee considered the accomplishments and the financial performance of the Company compared to the Peer Group and, based on that review, decided to limit the maximum aggregate amount

available for executive bonuses to 50% of the maximum aggregate amount available in the prior year as compared to the formula driven 80.4%. In effect this reduced the maximum aggregate amount available to approximately \$1.2 million versus the formula amount of \$1.9 million.

The bonus multiplier, the maximum aggregate bonus amount, and bonuses, both performance and discretionary, paid to all executive officers for 2013, 2014 and 2015 are as follows (amounts in millions):

(in millions, except percentages)	2013	2014	2015
Bonus multiplier	120.8%	116.0%	80.4%
Maximum aggregate bonus amount	\$2.1	\$2.4	\$1.9
Less: Compensation committee limit	\$—	\$—	\$(0.7 )
- Company performance amount	\$—	\$1.7	\$1.2
- Discretionary amount	\$2.1	\$0.7	\$—

To determine each executive officer's 2015 bonus the Compensation Committee applied the 50% limit imposed by the Compensation Committee in place of the 2015 multiplier to each executive officer's 2014 bonus.

This executive bonus program is operated pursuant to the 2013 Plan which permits the grant of cash awards. See “Executive Compensation – Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table – 2013 Equity Incentive Plan.” The bonus performance formula uses performance criteria approved by our stockholders, and the performance portion of each executive bonus is intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”).

**Equity Awards.** The Compensation Committee believes that equity awards should be a significant component of the total executive compensation in order to align the executive officers’ compensation with the Company’s long-term performance, encourage executive officers to make value-enhancing decisions for the benefit of stockholders, and encourage the retention of their talents over time.

Under the Company's 2013 Plan, the Company may grant any type of equity award whose value is derived from the value of the Common Stock of the Company, including, but not limited to, shares of Common Stock, stock options, stock appreciation rights (“SARs”), RSUs, and restricted stock. Each executive officer is eligible to receive equity awards. Historically, equity awards have been primarily in the form of stock options; however, since 2006, RSUs and restricted stock have also been granted to encourage long-term retention.

**Why We Use Stock Options.** In 2015, the Compensation Committee did not grant stock options. We have never granted “discounted” stock options and we have never re-priced stock options.

**Why We Use Full-Value Awards Including RSUs and Restricted Stock.** The Compensation Committee believes that full-value awards are appropriate equity vehicles for a portion of long-term incentive compensation for the Company’s executive officers because these awards align executive officers’ interests with the interests of stockholders by focusing executive officers on long-term Company performance. The value of these awards increases if the Company’s stock price increases, and the value of these awards decreases if the stock price declines. Full-value awards also serve to retain executive officers because they provide executive officers some economic value (if time-based vesting requirements are met) regardless of stock price changes.

The Compensation Committee’s policy is to grant equity awards annually in recognition of each executive officer's current and potential contributions to the Company. The exercise price of stock options granted to date has been no less than the fair market value of the Common Stock of the Company as of the date of grant. To encourage retention, all awards generally vest in four equal annual installments on the first four anniversaries of the grant date. Decisions made by the Compensation Committee regarding the timing and size of subsequent awards take into consideration the Company's and the individual's performance, allocation between cash and non-cash components of the executive compensation, the size, term and value of awards made in prior years, and the executive officer’s total compensation in relation to the Peer Group survey.

**Additional Benefits and Perquisites.** All executive officers are entitled to reimbursement for all reasonable and documented business expenses, paid time off in accordance with the Company's policies, access to the Company’s 401(k) Plan, as well as health insurance benefits (all of which are also available to all employees) and the Company’s Non-qualified Deferred Compensation Plan, among others.

#### Compensation Consultant, Selection of Peer Group and Compensation Surveys

**Compensation Consultant.** The Compensation Committee's charter enables the Compensation Committee to retain or obtain the advice of a compensation consultant, legal counsel or other adviser (“Compensation Adviser”) to assist in the evaluation of the NEOs’ and all other executives officers’ compensation, and provides the Compensation Committee with the sole authority to approve the Compensation Adviser’s fees and other retention terms. In 2012, Radford, an Aon Hewitt company (“Radford”), was engaged to provide consulting services on executive compensation, assist in

reviewing a list of comparable companies for the 2012 peer group (the “2012 Peer Group”), provide information on market trends and review competitive levels of compensation for executives and outside directors compared to the Compensation Committee’s approved 2012 Peer Group (the “2012 Survey”). In November 2014, Radford was engaged to update the 2012 Survey and to assist in reviewing the 2015 Peer Group of companies (as defined below). In early 2016 the Compensation Committee reviewed the 2015 Peer Group and removed two companies due their being acquired.

Compensation Consultant’s Independence and Conflict of Interest. In accordance with its charter, the Compensation Committee may, at its sole discretion, retain or obtain the advice of a Compensation Adviser and shall be directly responsible for the appointment, compensation and oversight of the work of any Compensation Adviser retained by the Compensation Committee. The Company shall provide appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to a Compensation Adviser retained by the Compensation Committee. Furthermore, the Compensation Committee may select, or receive advice from a Compensation Adviser, other than in-house legal counsel, only after taking into consideration the following factors: (1) the provision of other services to the Company by the person that employs the Compensation Adviser, (2) the amount of fees received from the Company by the person that employs the Compensation Adviser, as a percentage of the total revenue of the

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person that employs the Compensation Adviser, (3) the policies and procedures of the person that employs the Compensation Adviser that are designed to prevent conflicts of interest, (4) any business or personal relationship of the Compensation Adviser with a member of the Compensation Committee, (5) any stock of the Company owned by the Compensation Adviser, and (6) any business or personal relationship of the Compensation Adviser or the person employing the Compensation Adviser with an executive officer of the Company. To avoid conflicts of interest, Radford was retained directly by the Compensation Committee. Radford has provided compensation survey data to the Company’s Human Resources department for review.

Selection of Peer Group Companies.

The Compensation Committee reviews data concerning the pay practices among semiconductor companies of similar size to the Company. Although this data provides the Compensation Committee with a general frame of reference, the Compensation Committee does not target the compensation of any NEO or other executive officer at a specific percentile of the compensation paid by comparable companies. The Compensation Committee referred to the 2015 Survey (as defined below) when the Compensation Committee reviewed and approved executive compensation for 2015.

In November 2014, Radford was engaged to assess the competitiveness of our executive compensation and benefits programs as a point of reference. In recognition of our continued growth in size and performance since the prior peer group was constructed in fiscal year 2012, the Committee constructed and approved a new peer group of companies (the “2015 Peer Group”). Radford provided the Committee with a target universe of companies from which to make final selections for the 2015 Survey. Companies were selected by the Committee based on revenues, market capitalization and inclusion within in the semiconductor industry. The 2015 Peer Group is composed of sixteen companies within the semiconductor industry based with the most recently available annual reported revenues ranging from approximately \$400 million to \$2.5 billion, market capitalization ranging from approximately \$1.0 billion to \$4.0 billion, and with whom the Company competes for executive talent (the “2015 Peer Group Criteria”).

In constructing the 2015 Peer Group, companies were deleted from the 2012 Peer Group because their revenue or market capitalization did not meet the 2015 Peer Group Criteria, because they had been acquired or were not closely aligned with our markets. In early 2016, the Compensation Committee reviewed the 2015 Peer Group and removed two companies (Spanion and PMC-Sierra) due their having being acquired.

The 2015 Peer Group, adjusted for acquisitions is as follows:

Atmel	Cirrus Logic	Cree
Cypress Semiconductor	Fairchild Semiconductor	International Finisar
Infinera	Integrated Device Technology	